



**Metro District Energy System Advisory Board
Regularly Scheduled Meeting of
May 19, 2005**

Minutes of Meeting

The meeting was held at the DES Energy Generation Facility, 90 Peabody Street Nashville, TN 37210.

Facilitators: Harvey Gershman, DES Project Administrator and President, GBB and Michael Bradley, Metro DES Liaison

Board Members Present:

Doug Uphoff- Vice Chair
Phil Ryan
Joe Sweat

Board Members not Present:

David Manning (Represented by Michael Bradley)*
Nancy Whittemore (Represented by Dianna Stephens)*
Charles Harrison (Represented by Mary Ann Queen)
Thomas Turner
Yuri Cunza
J.B. Loring

* Designee as provided by Executive Order

Others Present:

David Seader, GBB
Tony Mirabella, GBB

Vice Chair Doug Uphoff presided over the meeting in the absence of the Chair, J.P. Loring. The meeting was called to order at 10:10 A.M.

A motion was made by Mr. Sweat to approve the minutes of the last meeting held February 17, 2005. The motion was seconded by Mr. Ryan, and was passed on a unanimous voice vote.

The Chair recognized that several Board members were absent and asked for a roll call and introductions of designees attending on behalf of certain Board Members. These were: Michael Bradley representing Mr. Manning, Dianna Stephens representing Nancy Whittemore, and Mary Ann Queen representing Charles Harrison.

Mr. Gershman and Mr. Seader began the presentation with a review of the comparison of NTTC invoices and DES invoices. Summary information was presented which reflected calendar year comparisons of steam and chilled water unit costs. The information reflects an overall increase in steam rates of approximately 13%, and an overall reduction in chilled water rates of about 3%.



Mr. Seader stated that much of the rate increase for steam was attributable to much higher natural gas prices over the last two years.

Mr. Maribella then presented detailed information from DES's operations monitoring report for the third quarter of 2005. The areas reviewed included overall plant appearance, operations summary, performance measurement, maintenance, facility and grounds, and recommendations & deficiencies. Among the areas discussed under performance were the fuel used for steam sendout, electricity used, chilled water sales, and sendout, and losses. He indicated that normal steam loss rates would be about 7% annually and chilled water loss would be 10-15% annually.

Mr. Maribella indicated that the plant was operating at a very high efficiency and that the usage rates and loss rates were well within the contract standards. He noted that the contractor had made improvement over the last year in the electricity used for chilled water sendout. Additional review was made of maintenance, and Mr. Maribella stated that all required maintenance was being performed and that the chillers are ready for the cooling season. His recommendations were for the DES to focus on getting the customer meters upgraded, and addressing the issue of condensate return within the energy distribution system. Mr. Gershman indicated that the metering project was going forward and that condensate return was being evaluated on a building-by-building basis.

Mr. Gershman reviewed the status of energy distribution system (EDS) repair and replacement projects including; Deaderick Street condensate line replacement, steam and condensate lines at manhole 18 to manhole L, State Library & Archives condensate line repair, and Parkway Towers steam and condensate service replacement. These projects total about \$1,000,000. In addition, emergency repair projects were approved that totaled about \$200,000.

Mr. Gershman and Mr. Seader next reviewed the FY 2005 budget. This included a summary of year-to-date spending, which is at 68% of the budget through the third quarter. It appears that DES will be under budget, or very near budget, for the year based upon projections at this time. Information was presented on the natural gas cost (budget to projections) through March 2005.

Mr. Gershman then presented a review of capital projects for FY 2005 and plans for FY 2006. Capital projects presently underway or being planned are:

- Tennessee Towers Decoupling
- Metro Main Library connection
- Symphony connection
- Metering Project
- Viridian Towers connection
- Renaissance Decoupling

Mr. Gershman discussed possible new customer development including the Stahlman Building, GSA Federal Courthouse, Hampton Inn, and Nashville Convention Center expansion if decided upon. Mr. Gershman also mentioned that the Country Music Hall of Fame has expressed interest in DES services.



The Board was then presented with the recommended FY 2005-2006 DES budget. Mr. Seader led the discussion of the elements of the recommended budget, the areas of increase and the basis for the increases. Expected natural gas cost increase makes up the largest portion of the budget increase.

Under the proposed budget, the total budget would be \$20,028,378. This amount is up from the FY 2004-2005 budget of \$18,642,300, for an increase of \$1,386,078, which is about 7.4%. In addition to increases in natural gas costs, costs will increase to provide for additional customers to be served in next fiscal year. Other increases include chemical costs, insurance, and normal inflation allowance.

Discussion followed the budget presentation on several points, including the purchase of natural gas and the locking in of prices at present rates. Mr. Gershman indicated that the DES gas contractor will be advising DES on additional price locks within the next few days, and based upon these recommendations, there will be additional purchases, but not over 80% at any time.

Mr. Seader gave an explanation of the Metro Funding Amount (MFA) within the budget. This is the portion of expenses that Metro must assume over the revenue generated by the customer payments. This equals approximately 15% of the overall budget requirement.

In response to a question by the Vice Chair, Mr. Gershman and Mr. Seader stated that they believed the recommended budget was solid in its projections and estimates for next fiscal year.

On a motion by Mr. Sweat, and seconded by Mr. Ryan, the Board unanimously voted to approve the recommended budget.

The next meeting date will be August 18, 2005 at 10 am CST.

Without further discussion and upon a voice motion, the meeting was adjourned at 11:55 A.M.

Prepared by:

Michael Bradley

Approved: _____

Date: _____